USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 1/29/2009

GAIN Report Number: SG9001

Senegal

Agricultural Situation

Agricultural Situation Update

2009

Approved by:
Robert Hanson, Agricultural Attaché
U.S. Embassy Dakar

Prepared by:
Mbalo Ndiaye, Agricultural Specialist

Report Highlights:
Senegal was very vulnerable at the beginning of the food price inflation crisis at the beginning of 2008, and undertook dramatic measures to protect consumers and farmers by subsidizing food consumption and agricultural production. The subsequent steep decline in world oil and commodity prices also has had its effects – as consumers continue to demand lower prices and food processors face shrinking margins caused by expensive stocks and lower market prices. Meanwhile, Senegal's peanut marketing campaign is plagued by a lack of capital.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Dakar [SG1]
[SG]

Overview

Senegal imports 70 percent of its cereal needs, as well as most of its dairy, vegetable oil and processed foods. After Mauritania, Senegal is the most food-import dependent country in West Africa. Senegal was very vulnerable at the beginning of the food price inflation crisis at the beginning of 2008, and undertook dramatic measures to protect consumers and farmers by subsidizing food consumption and agricultural production. The subsequent steep decline in world oil and commodity prices also has had its effects – as consumers continue to demand lower prices and food processors face shrinking margins caused by expensive stocks and lower market prices. Farmer incentives are also at risk of deteriorating in advance of the 2009 agricultural production campaign. Meanwhile, donors appear to be refocusing their efforts and resources on the agricultural sector. This report summarizes events over the past year, and sets the stage for the 2009 season. Cotton, peanut and rice production and trade are summarized in more detail in commodity-specific reports that can be found at: http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp

2008: The Perfect Storm, Imperfect Response

Senegal endured two consecutive poor rainy seasons in 2006/07 and 2007/08 which made it one of the countries hardest hit by the food inflation crisis in early 2008. The gravity of the situation reached its peak during the 2008 *soudure*, or 'hungry season' which extends from April to October each year. To help consumers endure the crisis, Senegal waived all rice import taxes and set a price ceiling for rice. To this effect, the government subsidized the consumer price of rice from June through August. This program was discontinued in early August due to budgetary constraints. Much of this 'consumer subsidy' is still owed to private sector importers and traders in the form of tax rebates and direct payments. In early October the government also reestablished the import duty on rice. The government also distributed 25,000 MT of rice during this period.

The Government of Senegal (GOS) responded to production shortfalls by announcing a national campaign to increase agricultural production called GOANA. The government provided limited seed and fertilizer subsidies to targeted farmers under this program. FAO also provided seeds and fertilizers to some of the most vulnerable farmers. While these programs only accounted for a small percentage of planted area, the GOS initially reported that area increased nearly 50 percent and that total cereal production increased nearly 125 percent. Peanut production was also forecast to increase over 100 percent. The political pressures for GOANA to succeed have threatened the objective nature of Senegal's crop surveys and famine early warning mechanisms. While production has been overstated – dramatically according to some – crop surveys and nutritional surveys have been discouraged and their results suppressed. While the regional Interstate Committee to Fight Desertification in the Sahel (CILSS) has held numerous conferences of government statisticians to forecast the regional cereal crop, Senegal has not provided objective statistical or sample derived estimates.

Significant doubts remain as to whether Senegal has indeed produced this large of a food crop. During the planting season there were shortages of certified seed, as well as concerns that farmers were selling or consuming their own seed stocks. Many farmers had no access to subsidized seeds or fertilizers, and their high price, and lack of availability in some cases raise serious doubts as to whether a 50 percent increase in area could be achieved. Fertilizer prices have increased more than food prices throughout the region. Despite excellent rains throughout the campaign, many observers question whether or not there was enough seed to cover the area announced by the government. There are also concerns that there were significant post-harvest losses. For example, the use of short-cycle peanut and niebe bean seeds resulted in the harvest of these crops while rains were still continuing. Although more pasture and longer grazing period are expected this year, it is reported that animal mortality could be significant especially in the north due to lack of vaccines and veterinary tools.

Senegal Production Table

Senegal	2007/08		2008/09		% Change (prod year to year)
Commodity	Area (ha)	Production (tons)	Announced Area (ha)	Announced Production (tons)	
Millet	686,892	318,822	943,403	600,634	+88
Sorghum	155,919	100,704	210,882	188,414	+87
Rice[1]	80,312	193,379	115,097	368,127	+90
Corn	143,769	158,266	227,741	453,678	+187
Fonio	1,984	1,068	2,154	1,503	+41
Total Cereals	**1,068,876**	**772,239**	**1,498,477**	**1,731,291**	**+124**
Other Crops					
Peanuts	607,195	331,195	765,689	710,424	+115

Source: Direction de l'Analyse et des Prévisions Statistiques (DAPS/DRDR/DSDIA)

Peanuts: Senegal's Cotton

Cotton production in West Africa used to be a driving economic force and source of rural development and revenue. Low world prices and a centralized production and marketing system have taken their toll, and cotton has, in many countries degenerated into a debt ridden sector that drains state and donor resources. Governments and donors alike are obliged to support the sector, which is central to rural employment and livelihoods. For even the most critical observer, in some countries the sector still has hope and must be supported in order to achieve broad based rural development and goals to end widespread hunger and poverty. Still, annual cotton company debts and farmer uncertainty peak in advance of every growing season. Financing the inputs and cotton farm-gate purchases is an expensive if not overly coordinated affair.

A similar story has more quietly developed over the past several decades in Senegal's peanut sector. Senegal too grows cotton, although at a fraction of the area that is still devoted to peanut production. Once a major lucrative cash crop, observers might ask why Senegal still grows peanuts in light of its food security needs, and the existence of high value niche crop alternatives. Like cotton, it is an easy target for increasing farm revenue and hence was the target of Senegal's GOANA initiative. GOANA is considered the key to increase food and cash crop production and was expected to be a major step forward into alleviating Senegal's overwhelming import dependence and food security concerns. It would have been also a major boost to rural income, which has suffered an extreme erosion of capital as farmers liquidated crops, seeds and livestock during the recent hungry season.

Senegal's farmers responded by reportedly doubling the peanut crop year-to-year and producing the largest crop in several years. While the Government of Senegal announced the subsidies needed to finance peanut seed and fertilizer inputs, it was a group of three private oilseed companies that used bank credits to finance the inputs – approximately $60 million according to some sources. Reportedly, the GOS committed to repay these loans for

[1] Paddy rice

the oilseed crushers. To date, only $10 million have been repaid, and the oilseed crushers are unable to secure the bank credits necessary to purchase and process the domestic crop. Approximately $120 million is needed to procure the crop. Out of the over 700,000 tons produced this year, less than 50,000 tons have been traded through official marketing channels so far. It is most likely that a huge proportion of the peanut production has been marketed to small traders, and therefore oilseed companies run the risk of facing shortage of seeds to crush this year. However, these unofficial marketing channels have limited capacity to absorb the remaining unsold production. It is likely that the government and perhaps donors will ultimately determine that peanut farmers cannot fail and that they will be paid. The fate of the private sector oilseed crushers is less certain.

2009: GOANA, and Future Agricultural Development

The launching of the highly publicized GOANA initiative calling various sections of economic stakeholders to engage in a vast agricultural campaign does explain the increase in the area planted – even if analysts disagree over how much. The United States supports the objectives of GOANA, and its development activities, whether funded by USAID or USDA remain consistent with those objectives. However, there are growing concerns that many farming families have been expropriated from their land, causing serious potential land tenure conflicts for upcoming growing seasons and generations. The financing scheme of the GOANA program was also unrealistic given budget constraints. For instance, the GOS objective of expanding rice production by 500,000 tons required at least $335 millions according to many independent experts, and this amount represents the total budget the GOS has invested in the agricultural sector over the last four years. At the beginning of the 2008 rainy season, the GOS announced that it will subsidize agricultural production by up to $23.7 million but latest reports indicate that subsidies – pre-financed by the private sector and banks - were estimated at nearly $55 million and the GOS has reimbursed only about $10 million. Likewise, rice millers may also face the same fate as peanut crushers as they are dependent on bank credits to purchase and process the local crop.

Outside of cereal production, which is largely for subsistence consumption, and peanut production, which is the largest cash crop, Senegal has many sectors that boast potential. Senegal's horticultural exports – in the form of mangos, green beans, cherry tomatoes and melons increased significantly in 2008 over 2007 levels. Most exports are to Europe, although there is little to no processing done in Senegal. Senegal also produces and exports sesame, hibiscus (tea) leaves, shea butter and Arabic gum. Senegal's agro-processing industry is hampered by a lack of investment due to high energy costs and a yet-to-be-improved investment climate. Senegal does process some tomato paste and sugar for domestic consumption, although these industries operate with limited competition – hence future investment is discouraged. Senegal has also recently opened a sugar-based ethanol plant on the Senegal River in the north, but production is relatively limited. Perhaps due to the poor investment environment, or land tenure concerns, a number of potential ethanol and biodiesel projects have gone unrealized.

Meanwhile, in the absence of commercial investors, donors appear poised to increase investments in small-holder agricultural development in efforts to increase food security and stimulate broad based rural economic growth. The 2008 food price inflation crisis and cobbled response has led most donors to echo the same observation – that agricultural development in Senegal – and throughout West Africa had been neglected. A better response can be expected in 2009.

Low World Prices Not Finding Senegal Market

Although the primary objective of the GOANA initiative was to lessen the significant burden of the high cost of imported food, the prices of the major staple foods (rice, wheat products, sugar, and oil) still remain relatively high – even after the easing of world commodity prices. As mentioned previously, in response to the soaring food prices, the government subsidized the consumer price of rice and other major staples from June through August 2008. During that period, the retail price of broken rice (90% of rice consumed) was set at CFA 270-280 depending on the grade but in the market the effective price reached CFA 400 despite government controls. Because of budgetary constraints, the Government finally abandoned the subsidy and tax exemption program in August, and then the prices of the major foodstuffs rose again significantly, prompting consumers' protests around the country.

Meanwhile, prices started falling around the world. In response, the GOS announced new sets of measures reducing the prices of foods starting on January 10th, 2009. Officially, the price of unscented broken rice has been reduced by CFA 100/kg (20 U.S. cents/kg) and scented grades by CFA 40/kg (8 U.S. cents/kg). While the price of milk powder is down by CFA 125 per kilo (25 U.S. cents/kg), the price of the 210 gram bread baguette has been set at CFA 160 down from 175 following lengthy negotiations with bakers' associations. This change – a reduction in the price of a loaf of bread by 3 U.S. cents, was enough to result in a three-day baker's strike. All major foodstuffs were included in this price control mechanism except sugar and wheat flour which seem to benefit from a longstanding government protection. However, these new prices have not yet been in effect in most markets and retails outlets because of traders' resistance to apply prices they said they were not associated to its determination, and most importantly because of the lack of government resources to enforce these measures. In short, many processors and retailers are working through more expensive stocks and their margins were already squeezed by previous government controls.

The GOS seems intent on managing this delicate balance between consumer social concerns and maintaining the viability of the private sector. A key difference going into 2009 is that the government has no money, and some would argue limited credibility to manage these markets. Assuming adequate and well distributed rainfall going into the 2009 growing season – which is still five months away - Senegal should be able to produce a larger share of its food needs. Food self-sufficiency, however, is not a realistic target.